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TAGS: [ECON](#) [ENRG](#) [SENV](#) [CH](#) [HK](#)
SUBJECT: EVOLVING DISCUSSION OF AIR POLLUTION'S
CONSEQUENCES AND REMEDIES

Classified By: EP Chief Simon Schuchat; Reasons: 1.4 (b/d)

SUMMARY/COMMENT

1. (C) Positive reaction to the Consul General's (CG) recent speech encouraging business to be proactive in addressing worsening air pollution suggests a growing realism and sophistication in the local smog debate. Shortly after the speech, a local NGO published a report listing dramatic health consequences of air pollution for Hong Kong's population. We found it encouraging that a key Hong Kong Government (HKG) environmental contact did not contest the report but instead told us of its potential utility to help the government move forward in addressing pollution issues. Separately, the Secretary for Environment, Health, and Welfare (SEHW), in a recent meeting with the CG, offered insight into how electricity pricing exacerbates the pollution that drifts toward Hong Kong from Guangdong Province. She also suggested that the HKG might be able to assist the private sector by providing experts to advise small-and medium-sized enterprises on available environmental technologies and equipment. END SUMMARY/COMMENT

SPEECH DRAWS POSITIVE REACTION

2. (U) On June 6, the CG delivered a speech, "Taking Action on Pollution," to a joint gathering of the American and Hong Kong General Chambers of Commerce. The focus was on how the local business community could and should take proactive action to supplement ongoing government efforts to address regional air quality issues. Hong Kong companies own or finance over 70,000 factories in the Pearl River Delta (PRD), and the resulting emissions are a significant part of the worsening air quality here. These firms could help ameliorate the situation while at the same time improving their own bottom lines by using a market-based financing model that encourages investment in pollution-reducing improvements. The seeds of this model, referred to as "P2E2," (pollution prevention and energy efficiency), emerged from the U.S.-China Commission on Commerce and Trade. This post's FCS office is actively working with local banks and corporations to match the availability of loan guarantees with the installation of P2E2 equipment in PRD factories. The result is that companies now have an option to install P2E2 equipment with no up-front costs and then enjoy improved profits once the equipment is paid for out of initial cost savings resulting from lower energy use.

3. (SBU) Media reaction was positive, emphasizing the speech's focus on the role of the business community and quoting the FCS Chief as saying that since May last year,

three enterprises and 20 environmental protection consultant companies had already shown an interest in joining the P2E2 program. On June 14, columnist Chip Tsao wrote in the mass-circulation pro-democracy Apple Daily (circ 350,000) that Hong Kong's air pollution was so serious that it was driving foreigners away. He described the CG "and many U.S. businessmen" as taking the lead to criticize the HKG for claiming Hong Kong is an international city -- but having Third World air pollution. (Comment: Although he misunderstood the CG's message, Tsao, like other media, assessed that such remarks would force the HKG to deal with the situation. End Comment)

¶4. (SBU) Environmental Protection Department (EPD) Deputy Director Roy Tang praised the CG's speech, saying that it fit in well with his department's own message that air pollution in Hong Kong is a shared responsibility between government, business, and private citizens. Tang's views were in line with comments made after the speech by other attendees. Many of those present told us that it was refreshing to hear views on air pollution that focused on solutions rather than problems.

HKG-PRIVATE SECTOR ENGAGEMENT

¶5. (C) The CG met with SETW Sarah Liao in advance of his speech and inquired on possible HKG support for private sector initiatives against air pollution. She commented that it would be difficult to provide direct subsidies to private sector efforts, but the HKG is able to supply experts to advise SMEs on pollution-related technical solutions and equipment designs. Liao said that the HKG is waiting for a proposal from the Federation of Hong Kong Industries -- FHKI, an organization that aims to advance the interests of local manufacturers -- on public-private collaboration concerning air quality. EPD's Tang separately told us that his organization has been waiting several weeks for the proposal.

The lack of action is hardly surprising, he said, given that EPD has been "wrestling" with FHKI on banning the use of industrial grade diesel oil and also arguing against the organization's attempts to obtain permission for more widespread use of highly polluting bunker (ship) fuel. He added that the EPD is still refraining from "exposing" the FHKI's environmentally unfriendly tendencies but may be forced to act as public pressure grows with regard to air pollution.

ALARMING NGO REPORT

¶6. (C) Tang also told us that a recent report by Hong Kong NGO Civic Exchange, detailing the health consequences of worsening air quality, might actually help EPD push its longer-term agenda within the HKG. The report, released June 8, dramatically laid out the annual health costs to Hong Kong of its smog: 1,600 lives, USD 2.7 billion in medical costs, 64,000 hospital "bed days," and 6.8 million family doctor visits. Tang did not contest the assessment and went so far as to say that while the report contained little new information, it was consistent with the findings of a 2002 analysis that EPD itself had done. Tang, however, termed the short-term impact of the report as painful for the HKG and said he suspects that Civic Exchange founder Christine Loh timed the release to coincide with other negative press accounts of Hong Kong's worsening air pollution.

WHO STANDARDS

¶7. (SBU) SETW Liao criticized soon to be published World Health Organization (WHO) standards for PM 2.5 particulates (2.5 microns or less), predicting that almost no developed cities, including Hong Kong, New York, and Los Angeles, would be able to meet them. EPD's Tang agreed, noting that even the WHO itself cautions that each country needs to take into account practical considerations for local conditions. The public has to understand that the HKG will do what it can but

the outcome will depend in great part on outside influences. As long as the public is given the right amount of information, it can make an informed choice. It is important to present the people of Hong Kong with a "menu with clearly listed prices" of air pollution policy options, Tang said.

CHINA FACTOR

18. (SBU) SETW Liao said that power companies in Guangdong told her that they were still generating surplus electricity that they could not sell off. Energy pricing in the PRD is two-tiered, she explained, and once consumption hits a certain threshold, charges rise. Many companies are unwilling to pay the premium and choose to switch on their cheaper, but heavier polluting, private diesel generators instead. EPD's Tang observed that the National Development and Reform Commission (NDRC) does not anticipate a major power shortage in Guangdong for the rest of the year. This will give local authorities a window of opportunity to "close in" on the illicit use of the polluting generators. Cunningham